

IRDA draws up ALM & stress testing norms

The **Insurance Regulatory and Development Authority (IRDA)** on Thursday laid down framework for asset liability management (ALM) and stress testing to guard investment activities of insurance companies against fall in the equity market and movement in the interest rate market.

"ALM is relevant to, and critical for, sound management of finances of insurers who invest to meet their future cash flow needs and capital requirements," Irda said in a circular. Insurance companies will have to confirm compliance to this requirement within 45 days.

To make sure that investment activities and asset positions are in line with their liability, risk profiles and their solvency positions insurers will have to put in place procedures for monitoring and managing their asset-liability positions.

IRDA has asked insurers to submit investment details in case of fall of 30% in equity values and 100 basis point fall in yield on fixed interest securities. Also, insurers will have to inform at the time of adverse deviation of 10% in mortality, morbidity, expenses, withdrawal, lapse rates and 25% increase or decrease in new business volumes. Insurers will have to keep in mind scenarios risk, based on these factors while investing.